



December 22, 2009

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: *Docket No. R-1367 Consumers Union's Comments on Proposed Changes to Regulation Z for Home Secured Open-End Credit*

Dear Chairman Bernanke, Members of the Board, and Board Secretary Johnson:

Consumers Union,¹ the nonprofit publisher of *Consumer Reports*, appreciates the opportunity to comment on this proposal to amend Regulation Z and the Truth in Lending Act disclosures on home secured open-end credit. This letter addresses only our comments regarding the changes proposed by Docket No. R-1367 concerning open-end credit. In a separate correspondence, we applauded the Board for its proposed changes to closed-end credit rules which we believe will be highly beneficial for consumers. However, we are deeply disappointed that the Board did not accord the same level of protection in its proposed rules for consumers of open-end home secured loans and we respectfully urge the Board to do so.

The Board's proposal for open-end home secured credit would allow creditors to make HELOC loans with no advance disclosures at a time when the Board is also proposing to enhance the quality and timing of disclosures for home secured closed-end loans. Borrowers of HELOC loans need and deserve an opportunity to review and consider important disclosures for loans secured by their home because borrowing against a home carries serious risks if not done carefully and with adequate borrower protections in place. The cost of a loan for a borrower of a HELOC is also a significant factor. Making sure the APR is an accurate expression of that cost is as important for HELOC borrowers as it is for borrowers seeking a closed-end mortgage. For this reason, the Board should consider extending the same all-inclusive APR calculation to open-end loans to prevent lenders from obscuring the true cost of the credit.

In order to prevent closed-end abuses from migrating to open-end home secured credit, the Board must extend the same level of protection to HELOC loans. Without these protections in place, brokers will be able to easily steer borrowers toward less regulated HELOCs which will essentially undermine the benefits of providing the much needed additional protections in the closed-end market as the Board has proposed.

¹ Consumers Union of United States, Inc., publisher of *Consumer Reports*[®], is a nonprofit membership organization chartered in 1936 to provide consumers with information, education, and counsel about goods, services, health and personal finance. Consumers Union's publications and services have a combined paid circulation of approximately 8.3 million. These publications regularly carry articles on Consumers Union's own product testing; on health, product safety, and marketplace economics; and on legislative, judicial, and regulatory actions that affect Consumer welfare. Consumers Union's income is solely derived from the sale of *Consumer Reports*[®], its other publications and services, fees, noncommercial contributions and grants. Consumers Union's publications and services carry no outside advertising and receive no commercial support.

We respectfully urge the Board to increase the level of protections accorded to home secured open-end loans and to add substantive protections such as prohibiting abusive loan terms and requiring the careful underwriting of open-end home secured loans to ensure that borrowers have the ability to repay all home secured credit.

Consumers Union also endorses the comments provided by the California Reinvestment Coalition and the comprehensive comments submitted by National Consumer Law Center on these and many other issues raised in this Docket.

Please do not hesitate to contact me should you have any questions regarding Consumers Union position concerning *Docket No. R-1367*.

Very truly yours,

A handwritten signature in black ink, reading "Norma P. Garcia". The signature is written in a cursive, flowing style.

Norma P. Garcia
Senior Attorney
Consumers Union